For immediate release **26 September 2023**

ALLIANCE PHARMA PLC
("Alliance" or the "Group")

Results for the six months ended 30 June 2023

Board expectations for year-end performance remain unchanged

Alliance Pharma plc (AIM: APH), the international healthcare group, is pleased to announce its interim results for the six months ended 30 June 2023 ("the Period"). Revenue growth for the Kelo-Cote™ franchise and Nizoral™ was in line with the Board's expectations and Amberen™ revenues returned to growth in Q2 on a like-for-like basis. However, as previously announced, this was balanced by mixed performance in certain smaller products with regulatory issues resulting in some manufacturing delays.

In-market demand for Kelo-Cote continues to grow in H2 2023 and we have extended our distribution agreement which secures our FY revenue expectations. The underlying business remains strong and the Board's expectations for Group performance in the full year remain unchanged.

FINANCIAL SUMMARY

Unaudited six months ended June 30	2023 Underlying (£m)	2023 Reported (£m)	2022 Underlying (£m)	2022 Reported (£m)	Growth underlying	Growth reported
Revenue (see-through basis)*	82.4	82.4	81.6	81.6	1%	1%
Revenue (statutory basis)	81.4	81.4	78.8	78.8	3%	3%
Gross profit	46.9	46.9	50.6	50.6	-7%	-7%
Profit before taxation	10.3	6.2	19.7	16.5	-48%	-62%
Basic earnings per share	1.58	0.95	2.90	2.43	-46%	-61%
Free cash flow*		11.0		5.1		
Cash from operations		15.5		8.4		
Net debt*		94.5		102.0		
Interim dividend per share		0.0p		0.592p		

OPERATING AND FINANCIAL HIGHLIGHTS

- H1 23 revenue growth impacted by Kelo-Cote destocking in China and temporary manufacturing delays arising from regulatory issues in certain smaller other consumer and prescription medicine products which will reverse in H2.
- In-market demand for Kelo-Cote in China continues to recover, with market share gains seen in e-commerce channels.
- Consumer Healthcare see-through revenue* up 1% to £59.7m (H1 22: £57.4m) with strong growth in Nizoral offsetting softer performance in other consumer healthcare brands.
- Prescription Medicine revenues of £22.7m, down 7% CER (H1 21: £24.1m).
- Robust free cash flow of £11.0m (H1 22: £5.1m) and net debt decreasing £7.5m to £94.5m. Group leverage of 2.7x at 30 June 2023 (31 December 2022: 2.6x).
- Debt refinancing completed with a new 3-year £150m revolving credit facility agreed with two 1-year options to extend further.
- Significant revenue step-up expected in H2 23 driving group leverage below 2.0x by year end.

- In response to shareholder feedback, the Board has decided to pause the interim dividend whilst we develop a new dividend policy with greater focus on reinvestment in the business. The new policy will be published in the preliminary results in March 2024.

DEVELOPING OUR BUSINESS

- Nizoral gaining market share as our new Chinese distributor expands the brand's reach, supported by new marketing campaigns and refreshed packaging.
- Amberen returning to growth with unique new product range extension due to launch in Q4 2023.
- New TV advertising campaigns launched for Kelo-Cote in the UK and MacuShield™ in Ireland.
- Significant progress made on brand innovation with further range enhancement expected in Q4 2023 across the consumer healthcare portfolio.
- ERP system successfully rolled out into APAC with China roll-out planned for 2024.
- All scope 1 & 2 emissions for 2022 offset through carbon credits bought in 2023. Work has commenced to fit photovoltaic panels to our headquarters in Chippenham, UK, which is a significant step towards our goal to become net zero for our scope 1 & 2 emissions by 2030.

Commenting on the results, Peter Butterfield, Chief Executive Officer of Alliance, said:

"We are encouraged by the recovery in China and the significant market share gains made by Kelo-Cote, along with the excellent progress of Nizoral, which is now fully under our control. Meanwhile our wider portfolio continues to provide a robust platform from which to grow our Consumer Healthcare brands.

"The second half of 2023 has got off to an encouraging start as we have addressed the regulatory issues and recommenced production of certain products impacted in the first half of the year. Our Kelo-Cote CBEC distributor has begun to place orders and we have contractual agreements in place to secure the future orders required to meet our expectations for full year revenues. We anticipate strong Group sales growth in H2 as our marketing campaigns yield benefits and we launch several new products to grow our market share.

"Our free cash flow is expected to continue to build strongly for the remainder of 2023, and we will continue to reduce our net debt and leverage by the end of the year. The Board's expectation for full year operating performance is unchanged."

** The performance of the Group is assessed using Alternative Performance Measures ("APMs"), which are measures that are not defined under IFRS, but are used by management to monitor ongoing business performance against both shorter term budgets and forecasts and against the Group's longer term strategic plans. APMs are defined in note 17.*

Specifically, see-through revenue includes all sales from Nizoral™ as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

ANALYST MEETING & WEBCAST

A meeting for analysts will be held at 9.30am this morning, 26 September 2023, at Buchanan, 107 Cheapside, London EC2V 6DN. For further details, analysts should contact Buchanan at alliancepharma@buchanan.uk.com.

A live webcast of the analyst meeting will be available at this link:
https://stream.buchanan.uk.com/broadcast/64d35bfa8964824b00aaa7a0

Following the meeting, a replay of the webcast will be made available at the investor section of Alliance's website, https://www.alliancepharmaceuticals.com/investors/

Alliance Pharma plc

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About Alliance

Alliance Pharma plc (AIM: APH) is a growing consumer healthcare company. Our purpose is to empower people to make a positive difference to their health and wellbeing by making our trusted and proven brands available around the world.

We deliver organic growth through investing in our priority brands and channels, in related innovation, and through selective geographic expansion to increase the reach of our brands. Periodically, we may look to enhance our organic growth through selective, complementary acquisitions.

Headquartered in the UK, the Group employs around 285 people based in locations across Europe, North America, and the Asia Pacific region. By outsourcing our manufacturing and logistics we remain asset-light and focused on maximising the value we can bring, both to our stakeholders and to our brands.

For more information on Alliance, please visit our website: www.alliancepharmaceuticals.com

Trading performance

Overview

The Group delivered see-through[1] revenues of £82.4m in the Period (H1 22: £81.6m), up 1% versus the prior period and down 2% at constant exchange rates ("CER") when including revenue from our most recent US acquisition (ScarAway and the US rights to Kelo-Cote). Statutory revenue was 3% above the prior period at £81.4m (H1 22: £78.8m) and up 1% CER.

Revenue summary

Unaudited six months ended 30 June	**2023 £m**	**2022 £m**	**Growth**	**CER growth**
Kelo-Cote franchise	25.6	22.9	12%	6%
Amberen	5.9	7.5	-22%	-27%
Nizoral*	11.1	7.9	41%	40%
Other consumer brands	17.2	19.1	-10%	-12%
Consumer Healthcare	59.7	57.4	4%	1%
Prescription Medicines	22.7	24.1	-6%	-7%
See-through revenue*	**82.4**	**81.6**	**1%**	**-2%**
LFL Consumer Healthcare see-through revenue, excl. ScarAway*	*57.1*	*57.4*	-1%	-4%
LFL see-through revenue, excluding ScarAway*	*79.8*	*81.6*	-2%	-5%
Statutory revenue – Consumer Healthcare	58.7	54.6	7%	4%
Statutory revenue - Group	81.4	78.8	3%	1%
LFL Consumer Healthcare statutory revenue, excluding ScarAway	*56.1*	*54.6*	*3%*	
LFL Group statutory revenue, excluding ScarAway	*78.8*	*78.8*	*0%*	

Consumer Healthcare

Consumer Healthcare revenues of £59.7m were up 4% (+1% CER) versus the prior Period (H1 22: £57.4m), benefitting from the US acquisition (ScarAway and the US rights to Kelo-Cote) in addition to currency tailwinds. On a statutory basis, reported revenues were 7% above the prior Period at £58.7m and up 4% CER.

Excluding the impact of the US acquisition, like-for-like see-through Consumer Healthcare revenue decreased by 1% to £57.1m (-4% CER).

Kelo-Cote – scar prevention and treatment

Revenues from the Kelo-Cote franchise rose 12% (6% CER) in the Period to £25.6m. Adjusting for the recent acquisition and currency tailwinds, like-for-like revenues for the Kelo-Cote franchise declined 4% mainly due to lower order volumes from our China cross-border e-commerce (CBEC) partner during a period of destocking.

China remains a significant market for Kelo-Cote. Demand for domestic (Chinese label) product continues to increase as our distribution partner opens new retail channels and elective surgeries resume following a hiatus during COVID lockdowns. Whilst the recovery in the cross-border channel is slightly behind our expectations at this stage, our distribution partner remains confident in the long-term outlook and we have extended our distribution agreement which secures our full year revenue expectations, introduces new territories and contains a commitment to prioritise sea freight over air thereby supporting our ESG strategy.

At current market demand, we estimate our distributor will have circa six to eight months of inventory at the year-end. Although this is higher than they previously communicated to us, it is in line with historic levels before COVID and we believe this to be an appropriate stock level given the importance of the brand, the inherent volatility of a large and complex market such as China; and our preference for sea freight.

We continue to work with our cross-border distribution partners to gain further insight into the multiple routes to market for our product and refine our selling strategy accordingly. The B2C e-commerce channel continues to progress well, growing 7% in the 12 months to end of July. Kelo-Cote delivered an exceptionally strong performance in the recent 618 festival in June in China, an online shopping event on TMALL, similar to the Amazon Prime event in the UK in November. Over the course of the online promotional period, Kelo-Cote was the leading scar treatment product and delivered fourth highest sales in the medical device category.

We remain focused on removing counterfeit product from all channels. Through working collaboratively with our distributor and local agencies we have successfully reduced the level of counterfeit product online below 5%, and we believe we have eliminated approximately one quarter of counterfeit sellers in a major offline cosmetics market.

The B2B offline traded market remains challenging. Whilst Kelo-Cote has delivered strong growth through the online institutional trading platforms, there is little visibility or credible market data available to accurately track the development of this offline market. We continue to work closely with our Cross-border partner to optimise sales in this channel.

Domestic China demand continues to be strong with record in-market sales recorded in August.

Outside China, where the scar treatment market is less developed, we have increased marketing investment to raise consumer awareness of scar treatment options and to promote Kelo-Cote. Our first ever outdoor campaign in the UK ran from late February to early April and delivered a 74% increase in sales in the first four months of the year versus the prior period. We are delighted that this campaign was recently recognised as the best Digital Brand Promotion by the Pharmaceutical Marketing Society. This outdoor campaign was followed by a TV advertising campaign that ran through July and August in the UK. Whilst we have yet to fully assess the impact of the campaign, we have seen 19% increase in volumes sold in Q2 2023 versus Q1 2023.

Our latest acquisition, the US rights to ScarAway and Kelo-Cote in March 2022, has created the Group's first fully global brand. The integration of both assets has gone very smoothly with full transition completed in just four months and sales remaining in-line with expectations with scope for further growth and range extensions. Like-for-like ScarAway sales increased 17% in Q2.

We remain on track to deliver over 20% year on year revenue growth for the Kelo-Cote franchise this year.

Amberen – vitamin mineral supplement for the relief of menopause symptoms (US)

Amberen revenues declined 3% CER in the Period, on a like-for-like basis excluding sales from a leading discount store account that was lost in 2022 and have returned to growth in Q2 on the same basis. On a reported basis, Amberen sales were £5.9m in the Period (H1 22: £7.5m). Alliance is continuing to invest in transitioning Amberen towards the higher growth e-commerce channel and refreshing its marketing campaign and packaging to accelerate this transition.

Performance in H1 23 was hampered by a number of industry wide challenges put in place by Amazon, including a change in billing for warehouse space and a change in price comparison approach leading to the removal of the buy box for a short period. In addition, the perimenopause product was delisted from Amazon for a few months due to an incorrect application of an algorithm that screens advertising claims. However, we overcame these issues and have strengthened the marketing support to mitigate any future problems. We have now launched Amberen in Canada, generating our first sales in the region in August, and are on track with our brand extension plans.

Q4 sees the first of many planned new product range extensions as we introduce a unique gummy formulation of Amberen for the relief of the symptoms of menopause. This is the result of in-house innovation and development (I&D) and is the first gummy in the category. Feedback from our consumer pilot studies and retailers was extremely positive and the product will be available on Amazon and our own DTC platform initially.

We continue to invest in Amberen and remain confident in the longer-term opportunity that this category provides. Whilst growth has returned on a like-for-like basis, the Amazon challenges mean we now anticipate low single-digit growth on a like-for-like basis in 2023.

Nizoral – medicated anti-dandruff shampoo

Nizoral revenues grew strongly in the Period rising 40% CER to £11.1m (H1 22: £7.9m), reflecting both market share and distribution gains, and the timing of orders in the prior period. Adjusting for the delayed order in June 2022, underlying Nizoral growth was in the low double digits. Our new Chinese distributor has created strong growth opportunities through expanding the brand's reach, supported by our new marketing initiatives and the introduction of updated packaging.

The roll-out of our strategic brand plan for Nizoral is now well underway, with consumer activation campaigns ongoing across a number of key territories where Nizoral commands a market leading position, including Australia, South Korea, Thailand and the Philippines. These campaigns are run in partnership with our local distributors, as part of a growth strategy centred around consumer and healthcare professional activation, e-commerce, and I&D. A new campaign was launched in the top nine cities in China in September focused on recruiting consumers in the twenties demographic.

The performance to date provides confidence to reiterate guidance of high single-digit revenue growth for Nizoral in FY 2023 on a constant currency basis.

Other Consumer Healthcare brands

There was a mixed performance in Other Consumer Healthcare with regulatory delays in some products impacting stock availability in H1 23. As a result, Other Consumer Healthcare revenues declined 10% (12% CER) to £17.2m (H1 22: £19.1m). Adjusting for the products that were out-of-stock, underlying other consumer healthcare revenues increased 7%, above the average growth rate for the wider consumer healthcare market.

Aloclair™ (pain relief for mouth ulcers) revenues were subject to order phasing, falling back 49% CER to £2.3m, as the re-certification process required by the transition from the previous Medical Device Directive to the new Medical Device Regulation took longer than anticipated due to the well documented backlogs at notified bodies across Europe. Whilst we had built stock in the market ahead of the transition period, this was depleted during H1 23 leading to the product becoming out of stock in some European markets. The re-certification process is now complete, and manufacturing restarted in August. We anticipate a more regular ordering process from our distributors in the mid-term.

Prescription Medicines

Revenues in our larger prescription medicines brands were encouraging. Hydromol™ (an emollient for the treatment of eczema) delivered revenue growth of 13% CER to £4.7m, benefitting from strong volume growth and a price increase successfully negotiated towards the end of 2022. Revenues for Forceval™ (a multi-vitamin and mineral supplement) increased 12% CER to £3.3m, as our campaign to raise awareness and educate clinicians regarding the benefits of our product to support patients with malnutrition has driven market share gains within the National Health Service (NHS). We recently celebrated the fiftieth anniversary of Forceval as a licensed multi-vitamin and mineral supplement available to the NHS.

Regulatory issues impacted some prescription products with total Prescription Medicines revenues down 6% to £22.7m (H1 22: £24.1m) and down 7% CER. Following a hiatus in regulatory inspections during COVID, inspections restarted in 2023 and a small number of API suppliers lost their certificates whilst necessary remedial actions were implemented. This affected our Flamma franchise (for the treatment of burns), as well as a number of smaller products. All of the affected suppliers have now been re-certified or have firm dates for when manufacturing will restart, such that all products are expected to back in stock in the second half of this year. Excluding the impact of the out-of-stock products, underlying sales grew 4%.

We continue to manage this part of our business actively, to ensure appropriate levels of investment and financial return. Overall cash generation from this portfolio of niche products remains good and, coupled with their limited requirement for promotional investment, this unit continues to play an important part in our overall business.

Profit and loss account

We continued to manage our direct costs well in the Period. Around half of our cost base is related to the price we pay for finished goods, warehousing and distribution with approximately a quarter relating to labour. The remaining 25% comprises around 15% of discretionary marketing spend and 10% fixed overheads.

Changes in revenue mix led to a 530 basis point (bp) decline in gross margin to 56.8% of see-through revenue (H1 22: 62.1%) and a 7% decline in gross profit to £46.9m (H1 22: £50.6m). Gross margin relative to statutory revenue was 57.6% (H1 22: 64.3%).

We continued our investment in the business in H1 23, improving our operating capabilities and marketing effectiveness provided to a number of our brands, whilst maintaining good cost control through ensuring a targeted approach to spending. Accordingly, underlying operating costs (defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges) remained broadly in line as a proportion of revenue to last year at 34.5% (H1 22: 34.4%) of see-through sales.

This investment was partially offset by a £0.5m reduction in the IFRS 2 share options charge to £0.5m for the Period (H1 22: £1.0m).

Net of the increase in operating costs and reduction in the share options charge, underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased 16.6% in the Period to £18.0m (H1 22: £21.5m), whilst underlying operating profit (EBIT) decreased by 17.9% to £16.3m (H1 22: £19.8m). A similar reduction was seen in reported operating profit, which decreased by £4.4m to £12.2m (H1 22: £16.6m).

Net finance costs of £6.0m include interest charges of £4.3m (H1 22: £1.7m) and net exchange losses of £1.4m, which represents a significant movement versus the prior period when we recorded an exchange gain of £1.9m. With an underlying tax charge of £1.8m (H1 22: £4.1m) equating to a tax rate of 17.3% (H1 22: 20.8%), underlying basic earnings per share decreased 46% to 1.58p (H1 22: 2.90p).

Cash generation

Free cash flow in the Period was significantly higher than the prior period at £11.0m (H1 22: £5.1m) and net debt decreased £7.5m to £94.5m at 30 June 2023 (31 December 2022: £102.0m). Group leverage (as at 30 June 2023) was 2.7x (31 December 2022: 2.6x).

Net working capital outflow in the period of £0.9m relates to an increase in inventories and trade payables, being partially offset by the timing of receipts from our distributors which resulted in a strong reduction in trade receivables. Overall, cash generated from operations was £17.2m (H1 22: £8.4m), a 105% increase on the same period last year.

We continue to expect Group revenues, including the Kelo-Cote franchise, to build throughout H2, driving strong gross margin improvement and substantial EBITDA expansion, underpinning the Board's expectations of a strong second half performance. Net debt and Group leverage are both expected to fall materially in H2, reflecting the Group's strong cash generation, and Group leverage is expected to be below 2.0x by the end of the year.

Dividend

We acknowledge the 37.52% vote against the final dividend for 2022 at the recent AGM held in May 2023. As part of a wider stakeholder engagement the Board has subsequently engaged with shareholders, representing 60% of the share register, to understand their views on dividends. In response to their feedback the Board has decided to pause the interim dividend whilst it develops a new dividend policy with greater emphasis on reinvestment in the business to drive growth. Our clear intention is to continue to pay dividends as we feel this demonstrates strong financial discipline. Further detail of this new policy will be provided in the preliminary results statement in March 2024.

Innovation and development (I&D)

We continue to actively invest in our business to maintain strong organic revenue growth and are committed to spending some £1m-£2m per annum on I&D with a view to generating 10% of net consumer sales from new product innovation in the future. The investment we have made in our Innovation and Development (I&D) team is beginning to deliver. We now have a number of projects in the pipeline, some of which were launched, or will launch, in 2023, providing potential for significant organic growth in future years.

Canker-X (pain relief for mouth ulcers) was launched in the US in January 2023 and is on track to deliver $1m in net revenues in under 12 months. It has gained good distribution momentum both online (Amazon) and in bricks and mortar (Walgreens, RiteAid) with a number of additional retailers interested in stocking the range. We anticipate annual net sales potential in the low single million dollars.

Following the successful launch of Kelo-Cote Kids in China in 2022, we launched this product in the UK in an Amazon exclusive in March 2023. This launch has been supported by digital activity utilising assets designed for global use. We expect to introduce the Kids formulation in Germany and the US (under the ScarAway brand) in Q1 2024.

As previously indicated, we launched Kelo-Cote scar sheets in the China cross border market on the TMALL flagship store in May 2023 in a strategy designed to generate positive reviews ahead of the important 618 festival in June. We also launched scar sheets for the treatment of caesarean section scars in the UK exclusively with Amazon and have generated promotional content which will be live on Amazon soon.

Operational and corporate developments

The development of our global ERP platform continued with the successful roll-out of our system in APAC (ex China). Following this go-live, the Group now operates a single-instance ERP platform in the EMEA, US and now APAC (ex China) with the final phase, the final roll out to our operations in China, planned for next year. In the Period we also completed various projects to help improve our ERP Finance and Supply Chain processes and leverage the efficiency benefits of a single business platform.

In August we successfully completed the refinancing of our Revolving Credit Facility, which was scheduled to mature in July 2024. The facility was agreed with the Group's existing syndicate of supportive relationship banks. Through the refinancing we took the opportunity to resize and reduce the total committed facility by £15m to £150m, whilst increasing the Accordion by £15m to £65m. The covenants include a net leverage (the ratio of net bank debt to EBITDA) and interest cover (the ratio of EBITDA to finance charges) test. The facility is available until August 2026, with two further one-year extension options.

Our involvement in the appeal against the Competition and Markets Authority ("CMA") decision regarding anti-competitive behaviours in relation to four companies has now completed. The Competition Appeal Tribunal panel will now consider the evidence presented during the tribunal and we anticipate the Panel to reach their conclusion by the end of 2023.

Continuing our sustainability journey

We continue to make good progress on our sustainability journey, publishing our first voluntary stand-alone TCFD report for 2022 in May 2023. We also created an online sustainability report to accompany the publication of our Annual Report in March as we strive to improve further the communication of our sustainability strategy.

Throughout this year we have focused on developing our social and governance strategies. We have partnered with the Slave-Free Alliance (SFA), an independent charity founded in the UK in 2018 that supports organisations that are committed to slave-free business operations and supply chains. The SFA is a social enterprise wholly owned by Hope for Justice, an international charity founded in 2008. Hope for Justice runs prevention programmes, rescue, advocacy and aftercare services to restore victims' lives and works with government and organisations to reform society.

The SFA have provided bespoke workshop-based modern slavery training to our quality and sourcing chain teams to help these teams better identify modern slavery "red flags" during quality audits and supplier site visits.

The SFA has also conducted a gap analysis of our modern slavery mitigations and policies, and we will be working to implement their recommendations in H2 23 and beyond.

In addition, this year Alliance has appointed a new e-learning provider to deliver "gamified", engaging compliance training to our colleagues, including data protection, unconscious bias, modern slavery, anti-bribery and corruption and competition awareness training.

We implemented a partner code of conduct in 2022 and, throughout this year, have worked to ensure that our Contract Manufacturing Organisations (CMOs) and distributors agree to comply with our code. To date 88% of our CMOs have returned a signed code of conduct and we are aiming to reach 100% by year end.

We have also introduced an employee code of conduct, which includes a section on our speak up policy. To support this, we have engaged Safecall, an independent reporting helpline to allow colleagues and external partners to raise concerns anonymously from over 100 countries. The service is operational for 24 hours a day, seven days a week, and available in over 60 languages.

In August we commenced work to install photovoltaic panels on the roof of our award-winning headquarters in Chippenham, UK. This program of work also includes the installation of a new, more efficient substation and electric vehicle charging points. The work is expected to complete in January 2024, allowing us to generate our own electricity, which is a significant step towards our goal to become net zero for our scope 1 & 2 emissions by 2030. Furthermore, we have purchased carbon credits to offset the scope 1 and 2 carbon emissions we generated in 2022. We have deliberately selected carbon offset projects which align with our sustainability development goals, focusing on reforestation projects that also include local community education and support.

For further detail, please see the Sustainability section of our website.

Board changes

As previously announced, and in line with good corporate governance, David Cook stepped down as Alliance's Chair following the AGM in May 2023. David served on the Board for nine years and was replaced by Jo LeCouilliard, an Independent Non-executive Director of Alliance. Jo joined the Alliance Board on 1 January 2019, bringing more than 25 years of international healthcare management experience through her career at GlaxoSmithKline where, amongst other roles, she headed the US vaccines business and the Asia Pacific Pharmaceuticals business.

In February 2023 we welcomed Jeyan Heper to the Alliance Board as an executive in the newly created role of Chief Operating Officer. Jeyan has a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programs and driving growth in flagship brands. In his career spanning more than 25 years Jeyan has held senior executive roles at Procter & Gamble, Danone Group and Ansell's sexual wellness global business, before it was spun-out to become Lifestyles Healthcare, a private equity/pharma-owned company where Jeyan became CEO.

Jeyan is helping to bolster the Group's operational capabilities, identify growth opportunities, and help drive the Company's strategy to expand its consumer health presence through leveraging his experience of e-commerce in China and the US, and improving operational effectiveness.

The Board was strengthened further by the appointment of Martin Sutherland as an additional Independent Non-Executive Director in February 2023. Martin is a senior executive with over 30 years' experience in global businesses and is currently a Non-Executive Director at Forterra plc and Non-executive Chair of Logiq Consulting Ltd. Prior to this, Martin was CEO of De La Rue PLC. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion.

Martin's experience brings a new perspective to complement the strong consumer healthcare knowledge already present on the board.

Current trading and outlook

The second half of 2023 has got off to an encouraging start with trading in-line with expectations. We anticipate strong growth in H2 as Kelo-Cote revenues continue to build, we recommence supply of products that have been out of stock and launch new product innovation. The Board's expectation for Group year-end performance remains unchanged.

Alliance Pharma plc

Peter Butterfield	Andrew Franklin
Chief Executive Officer	Chief Financial Officer
26 September 2023	26 September 2023

Alliance Pharma plc

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June 2023			Unaudited Six months ended 30 June 2022		
		Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s	Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s
Revenue	4	**81,398**	**-**	**81,398**	78,765	-	78,765
Cost of sales		**(34,536)**	**-**	**(34,536)**	(28,127)	-	(28,127)
Gross profit		**46,862**	**-**	**46,862**	50,638	-	50,638
Operating expenses							
Administration and marketing expenses		**(29,177)**	**(1,000)**	**(30,177)**	(28,820)	369	(28,451)
Amortisation of intangible assets	6	**(948)**	**(3,082)**	**(4,030)**	(948)	(3,619)	(4,567)
Share-based employee remuneration		**(460)**	**-**	**(460)**	(1,048)	-	(1,048)
Operating profit		**16,277**	**(4,082)**	**12,195**	19,822	(3,250)	16,572
Finance costs							
Interest payable and similar charges	5	**(4,600)**	**-**	**(4,600)**	(2,023)	-	(2,023)
Finance income	5	**(1,359)**	**-**	**(1,359)**	1,933	-	1,933
Net finance costs		**(5,959)**	**-**	**(5,959)**	(90)	-	(90)
Profit before taxation		**10,318**	**(4,082)**	**6,236**	19,732	(3,250)	16,482
Taxation	7	**(1,784)**	**657**	**(1,127)**	(4,102)	724	(3,378)
Profit for the period attributable to equity shareholders		**8,534**	**(3,425)**	**5,109**	15,630	(2,526)	13,104
Earnings per share							
Basic (pence)	9	**1.58**		**0.95**	2.90		2.43
Diluted (pence)	9	**1.58**		**0.94**	2.86		2.40

All of the activities of the Group are classified as continuing.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Profit for the period	**5,109**	13,104
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Foreign exchange forward contracts – cash flow hedge (gross)	**(32)**	(1,593)
Foreign exchange forward contracts – cash flow hedge (deferred tax)	**8**	398
Foreign exchange translation differences (gross)	**(9,185)**	14,253
Foreign exchange translation differences (deferred tax)	**2,296**	(3,563)
Total comprehensive income for the period	**(1,804)**	22,599

Alliance Pharma plc

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2023

	Note	Unaudited 30 June 2023 £000s	Audited 31 December 2022 £000s
Assets			
Non-current assets			
Goodwill and intangible assets	**10**	**409,552**	421,630
Property, plant and equipment	**11**	**5,308**	5,578
Deferred tax asset		**3,689**	4,117
Derivative financial instruments		**-**	17
Other non-current assets		**513**	588
		419,062	431,930
Current assets			
Inventories		**27,096**	24,286
Trade and other receivables	**12**	**41,069**	49,324
Derivative financial instruments		**381**	157
Cash and cash equivalents		**26,112**	31,714
Total current assets		**94,658**	105,481
Total assets		**513,720**	537,411
Equity			
Ordinary share capital		**5,401**	5,400
Share premium account		**151,683**	151,650
Share option reserve		**10,801**	10,141
Other reserve		**(329)**	(329)
Cash flow hedging reserve		**107**	131
Translation reserve		**5,541**	12,430
Retained earnings		**103,755**	108,238
Total equity		**276,959**	287,661
Liabilities			
Non-current liabilities			
Loans and borrowings	**15**	**120,638**	133,744
Other liabilities	**14**	**3,266**	3,415
Derivatives financial instruments		**57**	-
Deferred tax liability		**63,770**	65,569
Total non-current liabilities		**187,731**	202,728
Current liabilities			
Corporation tax		**2,112**	2,984
Trade and other payables	**13**	**32,015**	35,616
Provisions	**16**	**8,326**	8,422
Derivative financial instruments		**182**	-
Dividend payable	**8**	**6,395**	-
Total current liabilities		**49,030**	47,022
Total liabilities		**236,761**	249,750
Total equity and liabilities		**513,720**	537,411

Alliance Pharma plc

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Ordinary Share Capital £000s	Share Premium account £000s	Share Option reserve £000s	Other reserve £000s	Cash flow Hedging reserve £000s	Translation reserve £000s	Retained earnings £000s	Total Equity £000s
Balance 1 January 2023 (audited)	5,400	151,650	10,141	(329)	131	12,430	108,238	287,661
Issue of shares	1	33	-	-	-	-	-	34
Dividend paid/payable	-	-	-	-	-	-	(9,592)	(9,592)
Share options charge (including deferred tax)	-	-	660	-	-	-	-	660
Transactions with owners	1	33	660	-	-	-	(9,592)	(8,898)
Profit for the period	-	-	-	-	-	-	5,109	5,109
Other comprehensive income								
Foreign exchange forward contracts - cash flow hedge (net of deferred tax)	-	-	-	-	(24)	-	-	(24)
Foreign exchange translation differences	-	-	-	-	-	(6,889)	-	(6,889)
Total comprehensive income for the period	-	-	-	-	(24)	(6,889)	5,109	(1,804)
Balance 30 June 2023 (unaudited)	5,401	151,683	10,801	(329)	107	5,541	103,755	276,959

	Ordinary Share Capital £000s	Share Premium account £000s	Share Option reserve £000s	Other reserve £000s	Cash flow Hedging reserve £000s	Translation reserve £000s	Retained earnings £000s	Total Equity £000s
Balance 1 January 2022 (audited)	5,382	151,328	10,058	(329)	48	(419)	116,418	282,486
Issue of shares	15	275	-	-	-	-	-	290
Dividend paid	-	-	-	-	-	-	(9,116)	(9,116)
Share options charge (including deferred tax)	-	-	670	-	-	-	-	670
Transactions with owners	15	275	670	-	-	-	(9,116)	(8,156)
Profit for the period	-	-	-	-	-	-	13,104	13,104
Other comprehensive income								
Foreign exchange forward contracts - cash flow hedge (net of deferred tax)	-	-	-	-	(1,195)	-	-	(1,195)
Foreign exchange translation differences	-	-	-	-	-	10,690	-	10,690
Total comprehensive income for the period	-	-	-	-	(1,195)	10,690	13,104	22,599
Balance 30 June 2022 (unaudited)	5,397	151,603	10,728	(329)	(1,147)	10,271	120,406	296,929

Alliance Pharma plc

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Operating activities			
Profit for the period before tax		**6,236**	16,482
Interest payable and similar charges	**5**	**4,600**	2,023
Foreign exchange (gain)/loss	**5**	**1,359**	(1,933)
Amortisation of intangible assets	**10**	**4,030**	4,567
Depreciation of property, plant and equipment	**11**	**733**	765
Share-based employee remuneration		**460**	1,048
Change in inventories		**(2,810)**	(959)
Change in trade and other receivables		**8,330**	(14,415)
Change in trade and other payables		**(5,694)**	850
Cash generated from operations		**17,244**	8,428
Tax paid		**(1,786)**	(1,081)
Cash flows from operating activities		**15,458**	7,347
Investing activities			
Acquisitions and deferred consideration		**(207)**	(15,480)
Purchase of intangible assets	**10**	**-**	(219)
Purchase of property, plant and equipment	**11**	**(199)**	(333)
Net cash used in investing activities		**(406)**	(16,032)
Financing activities			
Interest paid and similar charges		**(4,299)**	(1,706)
Loan issue costs	**15**	**(100)**	
Proceeds from exercise of share options		**34**	290
Capital lease payments		**(442)**	(478)
Dividend paid	**8**	**(3,197)**	(3,030)
Proceeds from borrowing	**15**	**-**	14,925
Repayment of borrowings	**15**	**(12,000)**	(1,261)
Net cash used in financing activities		**(20,004)**	8,740
Net movement in cash and cash equivalents		**(4,952)**	55
Cash and cash equivalents at beginning of period		**31,714**	29,061
Effects of exchange rate movements		**(650)**	264
Cash and cash equivalents at end of period		**26,112**	29,380

NOTES TO THE HALF YEAR REPORT

For the six months ended 30 June 2023

1. General information

Alliance Pharma plc ('the Company') and its subsidiaries (together 'the Group') acquire, market, and distribute consumer healthcare products and prescription medicines. The Company is a public limited company, limited by shares, registered, incorporated, and domiciled in England and Wales in the UK. The address of its registered office is Avonbridge House, Bath Road, Chippenham, Wiltshire, SN15 2BB.

The Company is listed on the London Stock Exchange, Alternative Investment Market ('AIM').

The information in these financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. These financial statements have been prepared in accordance with the AIM rules, and IAS 34 has not been adopted. A copy of the Group's statutory accounts for the year ended 31 December 2022, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS'), has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 498 (2) or section 498 (3) of the Companies Act 2006.

These consolidated financial statements for the six-month period ended 30 June 2023 have been approved for issue by the Board of Directors on 26 September 2023.

2. Going concern

On 15 August 2023, the Group agreed a new £150m fully Revolving Credit Facility ('RCF'), together with a £65m accordion. The facility was agreed with its existing syndicate of lenders, replacing the previous RCF which ran through to July 2024. This new facility is available until August 2026, with two further one-year extension options.

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll over the debt. This due to mitigating actions it could take to maintain compliance with these conditions, including future covenant requirements, even in downside scenarios.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements (the going concern period). These indicate that the Group will have sufficient funds, given the RCF financing available, to meet its liabilities as they fall due for that period. Also, the Directors have considered the sensitivity of cash flow forecasts to severe downside scenarios, including a reasonably possible downside scenario which models severe disruption to CBEC sales resulting in a decline in EBITDA against budget of over 30%. Even in this severe scenario, the forecasts indicate that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore determined it is appropriate to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

Judgements and estimates

The principal judgements and estimates made in this period are the same as those published by the Group in the 31 December 2022 Annual Report, which is available on the Group's website: www.alliancepharmaceuticals.com.

Non-underlying items

Amortisation and impairment charges for intangible assets relating to goodwill and brand and distribution rights are included as non-underlying items. The revaluation of deferred tax balances following substantial tax legislation changes are also included as non-underlying items. The Directors believe that this classification of underlying and non-underlying items, when considered together with total statutory results, provides investors, analysts and other stakeholders with helpful complementary information to better understand the financial performance and position of the Group from period to period, and allows the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies. For further detail, please refer to note 6.

3. Accounting policies (continued)

Other accounting policies

The remaining accounting policies applied in these interim financial statements are the same as those published by the Group in the 31 December 2022 Annual Report. The Annual Report is available on the Group's website.

4. Revenue

Revenue information by brand	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Consumer healthcare brands:		
Kelo-cote franchise	**25,587**	22,948
Amberen	**5,855**	7,536
Nizoral*	**10,068**	5,133
MacuShield	**4,189**	4,628
Aloclair	**2,258**	4,233
Vamousse	**2,227**	2,417
Other Consumer healthcare brands	**8,477**	7,745
Total Revenue - Consumer healthcare brands	**58,661**	54,640
Prescription medicines:		
Hydromol	**4,661**	4,116
Flamma Franchise	**2,939**	3,115
Forceval	**3,270**	2,908
Other Prescription medicines	**11,867**	13,986
Total Revenue - Prescription medicines	**22,737**	24,125
Total Revenue	**81,398**	78,765

Revenue information by geography	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Europe, Middle East and Africa (EMEA)	**36,661**	40,607
Asia Pacific and China (APAC)	**29,986**	24,554
Americas (AMER)	**14,751**	13,604
Total Revenue	**81,398**	78,765

* Nizoral is shown on a net profit basis in statutory revenue. Nizoral revenue presented on a see-through income statement basis is included as an alternative performance measure in note 17.

5. Finance costs

	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
On loans and overdrafts	**(4,222)**	(1,662)
Amortised finance issue costs	**(321)**	(314)
Interest on lease liabilities	**(57)**	(47)
Interest payable and similar charges	**(4,600)**	(2,023)
Interest income	**-**	-
Net exchange gain/(loss)	**(1,359)**	1,933
Finance income/(costs)	**(1,359)**	1,933
Net finance costs	**(5,959)**	(90)

6. Non-underlying items

The Group presents a number of non-IFRS measures which exclude the impact of significant non-underlying items. This is to allow investors to understand the underlying trading performance of the Group and can exclude items such as: amortisation and impairment of acquired intangible assets; restructuring costs; gains or losses on disposal; remeasurement and accounting for the passage of time in respect of contingent considerations; and the revaluation of deferred tax balances following substantial tax legislation changes. This assessment requires judgement to be applied by the Directors as to which transactions are non-underlying and whether this classification enhances the understanding of the users of the financial statements.

	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Amortisation of intangible assets	**3,082**	3,619
ScarAway acquisition costs	**-**	(369)
Other non-underlying costs	**1,000**	-
Total non-underlying items before taxation	**4,082**	3,250
Non-underlying taxation	**(657)**	(724)
Total non-underlying items after taxation	**3,425**	2,526

Amortisation of intangible assets

The amortisation costs of acquired intangible assets are a significant item considered unrelated to trading performance and, as such, have been presented as non-underlying. This classification is in line with the majority of peer companies of the Group.

ScarAway acquisition costs

ScarAway acquisition costs relate to capitalised professional fees in relation to the ScarAway acquisition which completed in March 2022. These costs were incurred in 2021 as non-underlying costs and capitalised in 2022 post-completion.

Other non-underlying costs

Other non-underlying costs relate to one-off legal and professional costs.

7. Taxation

Analysis of charge for the period is as follows:

	Unaudited Six months ended 30 June 2023			Unaudited Six months ended 30 June 2022		
	Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s	Underlying £000s	Non-Underlying £000s (Note 6)	Total £000s
Corporation tax	**914**	**-**	**914**	2,684	-	2,684
Deferred tax	**870**	**(657)**	**213**	1,418	(724)	694
Taxation	**1,784**	**(657)**	**1,127**	4,102	(724)	3,378

The difference between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Profit before taxation	**6,236**	16,482
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom at 23.5% (2022: 19%)	**1,465**	3,132
Effects of:		
Non-deductible expenses and non-taxable income	**321**	(70)
Non-underlying amortisation and impairment	**107**	113
Differences between current and deferred tax rate (note 6)	**75**	114
Different tax rates on overseas earnings	**(130)**	89
Foreign exchange	**(711)**	-
Total tax charge	**1,127**	3,378

8. Dividends

In response to shareholder feedback, the Board has decided to pause the interim dividend whilst we develop a new dividend policy with greater focus on reinvestment in the business. The new policy will be published with the preliminary results in March 2024.

	Pence/share	Six months ended 30 June 2023 £000s
Amounts recognised as distributions to shareholders in 2023		
Interim dividend for the 2022 financial year	0.592	**3,197**
Final dividend for the 2022 financial year	1.184	**6,395**
		9,592

The interim dividend for 2022 was paid on 19 January 2023. The final dividend for 2022 was paid on 17 July 2023.

	Pence/share	Six months ended 30 June 2022 £000s
Amounts recognised as distributions to shareholders in 2022		
Interim dividend for the 2021 financial year	0.563	3,030
Final dividend for the 2021 financial year	1.128	6,086
		9,116

The interim dividend for 2021 was paid on 7 January 2022. The final dividend for 2021 was paid on 8 July 2022.

9. Earnings per share ('EPS')

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period. For diluted EPS, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

A reconciliation of the weighted average number of Ordinary Shares used in the measures is given below:

	Weighted average number of shares 000s	
	Six months ended 30 June 2023	**Six months ended 30 June 2022**
For basic EPS	**540,039**	539,077
Share options	**1,537**	7,846
For diluted EPS	**541,576**	546,923

	Six months to 30 June 2023 £000s	Six months to 30 June 2022 £000s
Earnings for basic and diluted EPS	5,109	13,104
Non-underlying items (note 6)	3,425	2,526
Earnings for underlying basic and diluted EPS	8,534	15,630

The resulting EPS measures are:

	Six months to 30 June 2023 Pence	Six months to 30 June 2022 Pence
Basic EPS	**0.95**	2.43
Diluted EPS	**0.94**	2.40
Underlying basic EPS	**1.58**	2.90
Underlying diluted EPS	**1.58**	2.86

10. Goodwill and intangible assets

	Goodwill £000s	Consumer Healthcare brands and distribution rights £000s	Prescription Medicines brands and distribution rights £000s	Computer software £000s	Total £000s
Cost					
At 1 January 2023 (audited)	34,626	291,762	152,691	15,292	494,371
Exchange adjustments	(463)	(6,999)	(586)	-	(8,048)
At 30 June 2023 (unaudited)	**34,163**	**284,763**	**152,105**	**15,292**	**486,323**
Amortisation and impairment					
At 1 January 2023 (audited)	13,096	9,575	46,744	3,326	72,741
Amortisation for the period (note 6)	-	79	3,003	948	4,030
At 30 June 2023 (unaudited)	**13,096**	**9,654**	**49,747**	**4,274**	**76,771**
Net book amount					
At 30 June 2023 (unaudited)	**21,067**	**275,109**	**102,358**	**11,018**	**409,552**
At 1 January 2023 (audited)	21,530	282,187	105,947	11,966	421,630

11. Property, plant and equipment

The Group	Computer software and equipment £000s	Fixtures, fittings and equipment £000s	Plant & machinery £000s	Right-of-use lease assets £000s	Total £000s
Cost					
At 1 January 2023 (audited)	2,199	3,944	74	5,230	11,447
Additions	27	172	-	425	624
Effect of movements in exchange rates	(53)	(25)	-	(222)	(300)
Disposals	-	-	-	(265)	(265)
At 30 June 2023 (unaudited)	**2,173**	**4,091**	**74**	**5,168**	**11,506**
Depreciation					
At 1 January 2023 (audited)	1,857	2,200	49	1,763	5,869
Provided in the period	76	267	5	385	733
Disposals	-	-	-	(265)	(265)
Effect of movements in exchange rates	(46)	(15)	-	(78)	(139)
At 30 June 2023 (unaudited)	**1,887**	**2,452**	**54**	**1,805**	**6,198**
Net book amount		,			
At 30 June 2023 (unaudited)	**286**	**1,639**	**20**	**3,363**	**5,308**
At 1 January 2023 (audited)	342	1,744	25	3,467	5,578

12. Trade and other receivables

	Unaudited 30 June 2023 £000s	Audited 31 December 2022 £000s
Trade receivables	**36,259**	44,764
Other receivables	**2,637**	2,775
Prepayments	**1,819**	1,094
Accrued income	**354**	691
	41,069	49,324

13. Trade and other payables

	Unaudited 30 June 2023 £000s	Audited 31 December 2022 £000s
Trade payables	**14,118**	18,567
Other taxes and social security costs	**1,074**	1,546
Accruals and deferred income	**15,389**	13,972
Other payables	**716**	918
Lease liabilities	**718**	613
	32,015	35,616

14. Other non-current liabilities

	Unaudited 30 June 2023 £000s	Audited 31 December 2022 £000s
Lease liabilities	**3,070**	3,219
Other non-current liabilities	**196**	196
	3,266	3,415

15. Loans and borrowings

On 15 August 2023, the Group agreed a new £150m fully Revolving Credit Facility, together with a £65m accordion. The facility was agreed with its existing syndicate of lenders, replacing the previous RCF which ran through to July 2024. This new facility is available until August 2026, with two further one-year extension options. This has been classified as a non-current liability.

The bank facility is secured by a fixed and floating charge over the Company's and Group's assets registered with Companies House.

The Group also has access to an overdraft facility of £2m.

Movements in borrowings are analysed as follows:

	£000s
At 1 January 2023 (audited)	133,744
Net repayment of borrowings	(12,000)
Prepaid arrangement fees	(100)
Amortisation of prepaid arrangement fees	321
Exchange movements*	(1,327)
At 30 June 2023 (unaudited)	**120,638**

* Exchange movements on loans and borrowings with effective net investment hedges are reported in other comprehensive income and accumulated in the translation reserve.

The Group's debt is provided on a floating interest rate basis.

The interest rate exposure of the financial liabilities of the Group at the period end was:

Floating rate interest exposure	Unaudited 30 June 2023 £000s	Audited 31 December 2022 £000s
Bank loans - Sterling denominated	**96,817**	96,817
Bank loans - US Dollar denominated	**17,115**	30,261
Bank loans - Euro denominated	**6,807**	6,987
Total financial liabilities	**120,739**	134,065
Unamortised issue costs	**(101)**	(321)
Net book value of financial liabilities	**120,638**	133,744

16. Provisions

The Group	CMA provision £000s	Restructuring provision £000s	Total £000s
Cost			
At 1 January 2023 (audited)	7,900	522	8,422
Utilised during the period	-	(82)	(82)
Exchange differences	-	(14)	(14)
At 30 June 2023 (unaudited)	**7,900**	**426**	**8,326**

On 23 May 2019 the UK's Competition and Markets Authority ('CMA') issued a Statement of Objection alleging anti-competitive agreement involving the Group and certain other pharmaceutical companies in relation to the sale of prescription prochlorperazine. Prochlorperazine is one of the Group's smaller products and had peak sales in 2015 of £1.9m and sales of £0.1m in 2022.

On 3 February 2022, the CMA announced its finding that four companies, including Alliance, had infringed competition law (the "Infringement Decision"). The Alliance Board fundamentally disagree with the CMA's finding. The Group believes that it has a strong case and has appealed the CMA's decision, and the proposed fine of £7.9m. The appeal has now been heard at the Competition Appeal Tribunal with those proceedings closing on 4 August 2023. The Group hopes that a verdict will be delivered during 2023, although it may be later.

Despite its Appeal, the Directors believe that, as a result of the Infringement Decision, a provision of £7.9m should continue to be recorded at 30 June 2023 (31 December 2022: £7.9m).

This reflects the amount of the proposed fine communicated by the CMA, and therefore, notwithstanding the Directors' belief as to the merits of the grounds on which it has appealed the CMA decision, the Directors consider this to be the appropriate position given that, in the event that the Group's appeal proved to be unsuccessful, the ultimate level of the fine cannot be greater than this. In addition, in the event that the Group's appeal were to prove to be unsuccessful, the Directors have presented what they consider to be strong grounds upon which the amount of the fine could be reduced. However, as this is a matter which cannot be predicted with certainty at this time the Directors believe that the most appropriate course of action is to include the maximum potential amount of the fine.

If the appeal is unsuccessful, the Group may also be liable for a proportion of the legal costs of the CMA relating to the appeal and, depending on the CAT's findings, a potential financial claim for damages from the UK's National Health Service. The Group has not recorded a provision in relation to these potential costs or claims as these amounts cannot be reliably estimated at this time.

In accordance with IAS 37.92, the Group does not provide further information on the grounds that this could seriously prejudice the outcome of the appeal.

The restructuring provision of £0.4m at 30 June 2023 (31 December 2022: £0.5m) relates to the balance of restructuring costs in relation to the closure of the Milan office following a change to the operating model for our direct-to-market business in Italy.

17. Alternative performance measures

The performance of the Group is assessed using Alternative Performance Measures ('APMs'). The Group's results are presented both before and after non-underlying items. Adjusted profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans. APMs used to explain and monitor Group performance are:

Measure	Definition	Reconciliation to GAAP measure
Underlying EBIT and EBITDA	Earnings before interest, tax and non-underlying items (EBIT also referred to as underlying operating profit), then depreciation, amortisation and underlying impairment (EBITDA). Calculated by taking profit before tax and financing costs, excluding non-underlying items and adding back depreciation and amortisation. EBITDA margin is calculated using see-though revenue.	Note A below
Free cash flow	Free cash flow is defined as cash generated from operations less cash payments made for interest payable and similar charges, capital expenditure and tax.	Note B below
Net debt	Net debt is defined as the Group's gross bank debt position net of finance issue costs and cash.	Note C below
Underlying effective tax rate	Underlying effective tax rate is calculated by dividing total taxation for the year less impact of tax rate changes and non-underlying charges, by the underlying profit before tax for the year	Note D below
See-through income statement	Under the terms of the transitional services agreement with certain supply partners, Alliance receives the benefit of the net profit on sales of Nizoral from the date of acquisition up until the product licences in the Asia-Pacific territories transfer to Alliance. The net product margin is recognised as part of statutory revenue. The see-through income statement recognises the underlying sales and cost of sales which give rise to the net product margin, as management consider this to be a more meaningful representation of the underlying performance of the business, and to reflect the way in which it is managed.	Note E below
Constant exchange rate (CER) revenue	Like-for-like revenue, impact of acquisitions and total see-through revenue stated so that the portion denominated in non-sterling currencies is retranslated using foreign exchange rates from the previous financial year.	Note F below
Like-for-like	Like-for-like figures compare financial results in one period with those for the previous period, excluding the impact of acquisitions and disposals made in either period. For 2022, like-for-like revenue excludes the impact of ScarAway & Kelo-cote US brand and distribution rights which were acquired in March 2022.	Not needed
Operating costs	Defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges.	Not needed

17. Alternative performance measures (continued)

A. Underlying EBIT and EBITDA

Reconciliation of Underlying EBIT and EBITDA	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Profit before tax	**6,236**	16,482
Non-underlying items (note 6)	**4,082**	3,250
Net finance costs (note 5)	**5,959**	90
Underlying EBIT	**16,277**	19,822
Depreciation (note 11)	**733**	765
Underlying amortisation (note 10)	**948**	948
Underlying EBITDA	**17,958**	21,535

B. Free cash flow

Reconciliation of free cash flow	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Cash generated from operations	**17,244**	8,428
Financing costs	**(4,299)**	(1,706)
Capital expenditure	**(199)**	(552)
Tax paid	**(1,786)**	(1,081)
Free cash flow	**10,960**	5,089

C. Net debt

Reconciliation of net debt	Unaudited 30 June 2023 £000s	Audited 31 December 2022 £000s
Loans and borrowings – non-current	**(120,638)**	(133,744)
Cash and cash equivalents	**26,112**	31,714
Net debt	**(94,526)**	(102,030)

D. Underlying effective tax rate

Reconciliation of adjusted underlying effective tax rate	Unaudited Six months ended 30 June 2023 £000s	Unaudited Six months ended 30 June 2022 £000s
Total taxation charge for the year	**(1,127)**	(3,378)
Non-underlying tax credit	**(657)**	(724)
Underlying taxation charge for the year	**(1,784)**	(4,102)
Underlying profit before tax for the year	**10,318**	19,732
Underlying effective tax rate	**17.3%**	20.8%

17. Alternative performance measures (continued)

E. See-through income statement

	Unaudited Six months ended 30 June 2023 statutory values £000s	See-through adjustment £000s	Unaudited Six months ended 30 June 2023 see-through values £000s
Revenue	**81,398**	**1,039**	**82,437**
Cost of sales	(34,536)	(1,039)	(35,575)
Gross profit	**46,862**	**-**	**46,862**
Gross profit margin	57.6%	-	56.8%

	Unaudited Six months ended 30 June 2022 statutory values £000s	See-through adjustment £000s	Unaudited Six months ended 30 June 2022 see-through values £000s
Revenue	**78,765**	**2,789**	**81,554**
Cost of sales	(28,127)	(2,789)	(30,916)
Gross profit	**50,638**	**-**	**50,638**
Gross profit margin	64.3%	-	62.1%

There is no impact from the see-through adjustment on income statement lines below gross profit.

F. Constant exchange rate revenue

See-through revenue	Unaudited Six months ended 30 June 2023 £000s	Foreign exchange impact £000s	Unaudited Six months ended 30 June 2023 CER £000s
LFL see-through revenue - Consumer Healthcare brands	**57,104**	**(1,708)**	**55,396**
LFL see-through revenue - Prescription Medicines	**22,737**	**(289)**	**22,448**
Like-for-like see-through revenue	**79,841**	**(1,997)**	**77,844**
Impact of acquisitions (ScarAway & Kelo-cote US)	**2,596**	**(245)**	**2,351**
See-through revenue (Note E)	**82,437**	**(2,242)**	**80,195**

Statutory revenue	Unaudited Six months ended 30 June 2023 £000s	Foreign exchange impact £000s	Unaudited Six months ended 30 June 2023 CER £000s
LFL statutory revenue - Consumer Healthcare brands	**56,065**	**(1,705)**	**54,360**
LFL statutory revenue - Prescription Medicines	**22,737**	**(289)**	**22,448**
Like-for-like see-through revenue	**78,802**	**(1,994)**	**76,808**
Impact of acquisitions (ScarAway & Kelo-cote US)	**2,596**	**(245)**	**2,351**
Statutory revenue	**81,398**	**(2,239)**	**79,159**